

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**BOARD OF ADMINISTRATION**

**INVESTMENT COMMITTEE**

**October 20, 2008**

**Chief Investment Officer's**

**Consolidated Investment Activity Report**

**(August 2008 Reporting Period)**

## CalPERS Asset Allocation – August 31, 2008

### General Market Commentary

During August, domestic markets posted gains as energy and other commodity prices eased. Fears of a global economic slowdown resurfaced within the international and emerging markets. Major central banks held rates steady during the month. Crude oil prices continued to fall from July's record high of \$146 per barrel, ending the month just over \$115 per barrel. Month over month the US dollar strengthened against the Pound by over 8% and the Euro by roughly 6%.

### Domestic and International Equities

Within the US equity markets, the S&P 500 returned 1.45% for the month. Small-cap stocks, as measured by the Russell 2000 Index, were up 3.61%. Growth stocks underperformed their value counterparts for the month, returning 1.08% versus value's return of 1.70% (as measured by the Russell 1000 Growth and Value). International equities declined in August, with the MSCI EAFE down -4.03% in dollar terms (up 1.05% in local currency). Emerging markets returned -7.95% in dollar terms (as measured by the MSCI EM Index) and -4.80 in local currency.

### Domestic and International Fixed Income

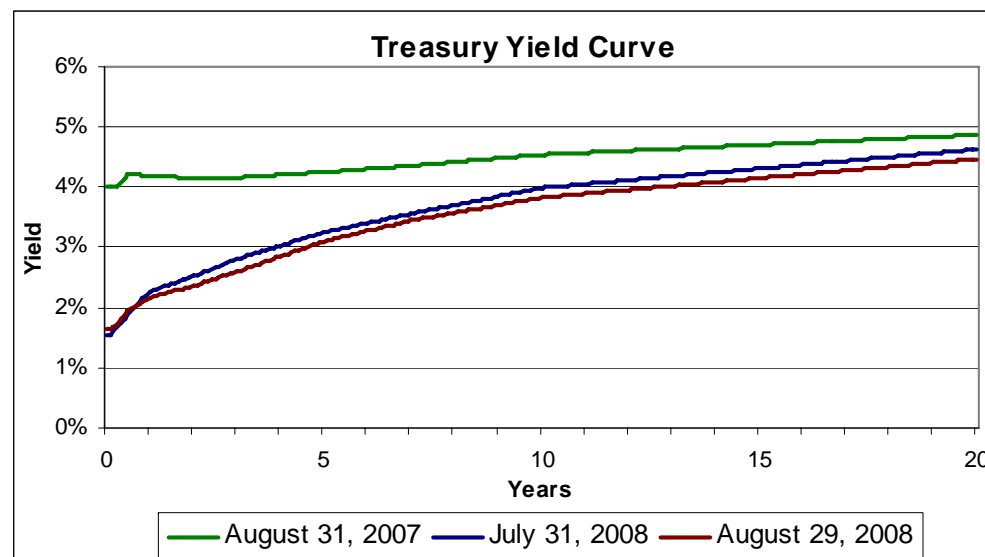
After four consecutive negative months, the Lehman Brothers Aggregate Bond Index returned 0.95% for August, outperforming US Treasuries' return of 0.94% (as measured by LB Treasury Intermediate Term Index). US TIPS were up 0.82% (LB US TIPS Index) during August. The high yield bond market returned 0.32% during the month, as measured by the Merrill Lynch High Yield Master II Index. International fixed income markets returned -2.80%, as measured by the Citigroup World Government Bond Index ex US (unhedged).

### Real Estate

Real estate (as measured by the MSCI US REIT Index) was positive for the month, up 2.32% in August. The NCREIF Index of Real Estate Properties returned a positive 0.56% for the quarter ended June 2008.

### Private Equity and Absolute Return Strategies

The Venture Economics All Private Equity Index returned 10.98% for the 12 months ended March 2008 and 13.48% for the 10 years ended March 2008. Absolute Return Strategies (CSFB/Tremont Hedge Fund Index) returned -1.47% in August and 1.44% for the 12 months ended August 2008.



MARKET INDICATORS	8/31/2007	Direction	7/31/2008	Direction	8/29/2008
1m LIBOR (fixed in \$)	5.72%	▼	2.46%	▲	2.49%
Federal Funds	5.25%	▼	2.00%	—	2.00%
10Y Treasury Note Yield	4.54%	▼	3.98%	▼	3.81%
30Y Treasury Bond Yield	4.83%	▼	4.60%	▼	4.41%
DJ-Wilshire 5000 Comp	14,807.65	▼	12,886.12	▲	13,061.72
S&P 500	1,473.99	▼	1,267.38	▲	1,282.83
NASDAQ Composite	2,596.36	▼	2,325.55	▲	2,367.52
FTSE 100 Index	6,303.30	▼	5,411.90	▲	5,636.60
Nikkei 225 Index	16,569.09	▼	13,376.81	▼	13,072.87
Yen/\$ (Dollar Strength)	115.830	▼	108.100	▲	108.690
Euro/\$ (Dollar Strength)	0.733	▼	0.641	▲	0.682
GBP/\$ (Dollar Strength)	0.496	▲	0.505	▲	0.550
Crude Oil per Barrel	\$ 74.04	▲	\$ 124.08	▼	\$ 115.46
Gold (\$/oz Daily Spot)	\$ 672.00	▲	\$ 918.00	▼	\$ 833.00
GS Commodities Index	\$ 495.31	▲	\$ 760.20	▼	\$ 708.16

## CalPERS Asset Allocation – August 31, 2008

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### Summary

- Total Fund Market Value was \$233.4 Billion
- Total Fund Book Value was \$207.3 Billion
- All Asset Classes are within their permissible ranges relative to target ranges and strategic target levels.

### Book to Market Value Comparison

	Book Value (\$ Billion)	Market Value (\$ Billion)	Difference (Market – Book) (\$ Billion)
Domestic Equity <sup>1</sup>	\$47.7	\$68.0	\$20.3
International Equity	\$53.5	\$53.1	\$-0.4
<b>Global Equity</b>	<b>\$101.2</b>	<b>\$121.1</b>	<b>\$19.9</b>
Domestic Fixed Income	\$47.8	\$50.5	\$2.7
International Fixed Income	\$4.7	\$4.8	\$0.1
<b>Global Fixed Income</b>	<b>\$52.7</b>	<b>\$55.3</b>	<b>\$2.7</b>
<b>AIM</b>	<b>\$24.8</b>	<b>\$25.3</b>	<b>\$0.5</b>
<b>Real Estate</b>	<b>\$20.6</b>	<b>\$23.6</b>	<b>\$3.0</b>
<b>Inflation Linked</b>	<b>\$4.1</b>	<b>\$4.3</b>	<b>\$0.2</b>
<b>Cash Equivalents</b>	<b>\$3.9</b>	<b>\$3.7</b>	<b>\$-0.2</b>
<b>Total Fund</b>	<b>\$207.3</b>	<b>\$233.4</b>	<b>\$26.1</b>

<sup>1</sup> Included is MDP Investment - LM Capital Investment: Total Book Value=\$207.8 million, Total Market Value=\$205.5 million.

\* Figures for this report are rounded for viewing purposes. Calculations are based on actual values. When summing net amounts on this report, there may be breakage.

### Top Company Exposures

- As a very significant institutional investor, CalPERS has large exposures to the securities of many corporations either through internal or externally managed portfolios. Consistent with board requested information and in support of the Board of Administration's oversight role, a schedule of the top 20 company exposures is prepared for informational purposes and can be found on Page 4.

## CalPERS Total Fund Top 20 Company Exposures

Based on Total Market Values as of 8/31/2008

Company Name	Equity Exposure			Total Equity Market Value	Fixed Income Exposure			Total FI Market Value	Real Estate Exposure (1)	TOTAL Market Value	% of Total Fund(3)
	Internally Managed Active	Externally Managed Passive	Externally Managed Active		Internal	External	Sec. Lending(2)				
GENERAL ELECTRIC	166,705,526	741,741,088	143,307,696	1,051,754,310	551,842,005	49,777,649	694,585,253	1,296,204,907		2,347,959,217	0.74%
EXXON MOBIL CORP	229,502,124	1,156,512,626	273,681,646	1,659,696,396				0		1,659,696,396	0.74%
BANK OF AMERICA CORP	109,483,787	375,754,235	99,573,700	584,811,722	520,279,398	41,215,173		561,494,571		1,146,306,293	0.51%
CITIGROUP INC	31,501,675	262,863,378	74,082,098	368,447,151	478,183,371	15,405,629	266,815,725	760,404,725		1,128,851,876	0.39%
WAL MART STORES INC	171,653,049	633,490,308	145,762,681	950,906,038	151,370,250			151,370,250		1,102,276,288	0.49%
JPMORGAN CHASE & CO	67,745,518	341,761,078	102,453,991	511,960,587	491,276,381	49,100,248		540,376,629	42,279,000	1,094,616,216	0.49%
BERKSHIRE HATHAWAY	185,033,890	472,463,200	46,640,000	704,137,090	339,693,868			339,693,868		1,043,830,958	0.47%
MICROSOFT CORP	108,834,076	679,843,022	165,171,169	953,848,267				0		953,848,267	0.43%
PROCTER + GAMBLE CO	126,885,536	584,470,267	111,212,613	822,568,416				0		822,568,416	0.37%
AT&T INC	103,694,785	507,086,286	149,114,795	759,895,866				0		759,895,866	0.34%
JOHNSON + JOHNSON	100,232,525	543,050,515	105,567,245	748,850,285				0		748,850,285	0.34%
CHEVRONTXACO CORP	89,102,612	487,190,080	160,993,274	737,285,966				0		737,285,966	0.33%
HSBC HOLDINGS PLC		417,944,501	114,263,894	532,208,395	123,162,452	17,259,362		140,421,814		672,630,209	0.30%
CONOCOPHILLIPS	102,988,404	341,707,904	92,440,326	537,136,634	134,747,851			134,747,851		671,884,485	0.30%
ROYAL DUTCH SHELL		487,404,131	182,350,439	669,754,570				0		669,754,570	0.30%
AMERICAN INTL GROUP INC	19,574,618	152,366,249	27,420,230	199,361,097	343,218,859	15,179,225	100,093,000	458,491,084		657,852,181	0.25%
VERIZON COMMUNICATIONS INC.	28,649,351	266,926,048	64,885,745	360,461,144	278,830,987	3,400,913		282,231,900		642,693,044	0.29%
INTERNATIONAL BUSINESS MACHINES	54,011,358	440,735,638	126,954,165	621,701,161	400,659	3,006,864		3,407,523		625,108,684	0.28%
APPLE COMPUTER	67,022,329	409,414,950	112,881,551	589,318,830				0		589,318,830	0.26%
AMERICAN EXPRESS CO	29,934,036	118,674,944	13,974,225	162,583,205			424,974,500	424,974,500		587,557,705	0.07%

(1) Real Estate exposure data only includes the 20 companies with the highest annual lease revenues for each core partnership, excludes properties in escrow. The market value exposures are calculated based only on two years of expected lease revenues.

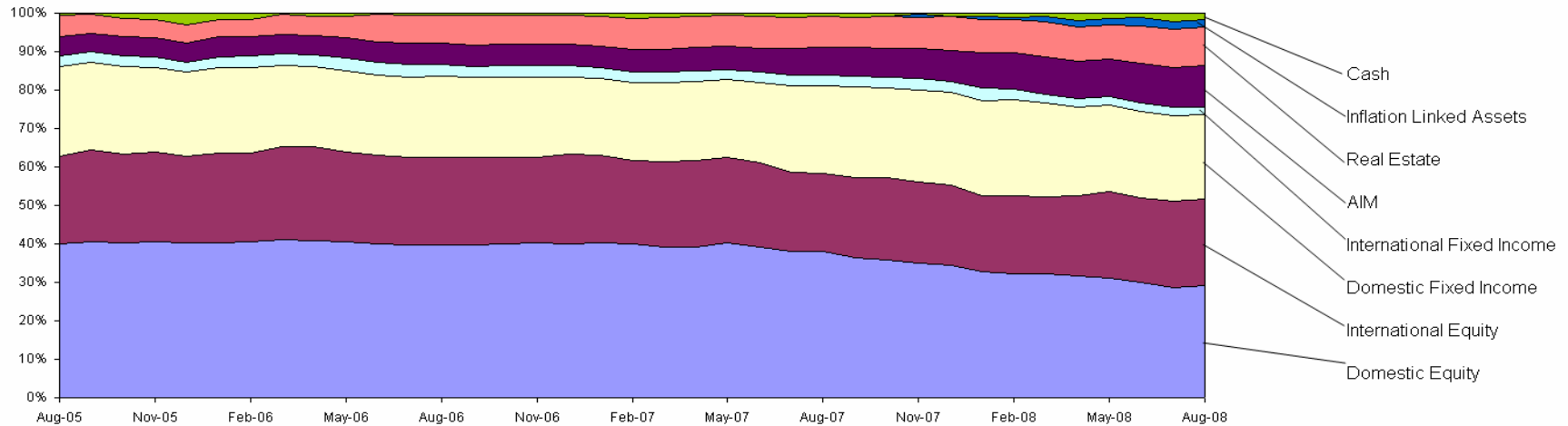
(2) Does not include Repos

(3) Excludes securities lending exposure

# CalPERS

## Asset Allocation as of August 31, 2008

Total Fund Market Value: **\$233,371,693,159**



	Global Equity	Domestic Equity	International Equity	Global Fixed	Domestic Fixed	International Fixed	AIM	Real Estate	Inflation Linked	Cash <sup>2</sup>	Total Fund
<b>Strategic Target Range %</b>	<b>51-61%</b>			<b>14-24%</b>			<b>7-13%</b>	<b>7-13%</b>	<b>0-5%</b>		
Strategic Target %	56.0%	28.0%	28.0%	19.0%	17.0%	2.0%	10.0%	10.0%	5.0%	0.0%	N/A
Actual %	51.9%	29.1%	22.7%	23.7%	21.7%	2.1%	10.8%	10.1%	1.9%	1.6%	N/A
<b>Variance % (Strategic vs. Actual)</b>	<b>(4.1%)</b>	<b>1.1%</b>	<b>(5.3%)</b>	<b>4.7%</b>	<b>4.7%</b>	<b>0.1%</b>	<b>0.8%</b>	<b>0.1%</b>	<b>(3.1%)</b>	<b>1.6%</b>	N/A
Strategic Target \$ <sup>1</sup>	\$130.7	\$65.3	\$65.3	\$44.3	\$39.7	\$4.7	\$23.3	\$23.3	\$11.7	\$0.0	\$233.4
Actual Investment \$ <sup>1</sup>	\$121.1	\$68.0	\$53.1	\$55.3	\$50.5	\$4.8	\$25.3	\$23.6	\$4.3	\$3.7	\$233.4
<b>Variance \$(Strategic vs. Actual)<sup>1</sup></b>	<b>(\$9.6)</b>	<b>\$2.7</b>	<b>(\$12.3)</b>	<b>\$11.0</b>	<b>\$10.9</b>	<b>\$0.1</b>	<b>\$2.0</b>	<b>\$0.3</b>	<b>(\$7.3)</b>	<b>\$3.7</b>	N/A
% Passive	61.9%	64.7%	58.3%	0.0%	0.0%	0.0%	0.0%	4.1%	0.0%	0.0%	32.1%
% Active	38.1%	35.3%	41.7%	100.0%	100.0%	100.0%	100.0%	95.9%	100.0%	100.0%	67.9%
% Internal	71.7%	74.9%	67.6%	89.4%	98.0%	0.0%	0.0%	4.1%	61.0%	100.0%	61.5%
% External	28.3%	25.1%	32.4%	10.6%	2.0%	100.0%	100.0%	95.9%	39.0%	0.0%	38.5%

\* Figures for this report are rounded for viewing purposes. Calculations are based on actual values.

\* When summing amounts on this report, there may be breakage.

\* MDP Venture accounts included in MDP's primary asset class. MDP Fixed and CalPERS Hedge Fund roll to External Domestic Equity.

<sup>1</sup> (\$ Billion)

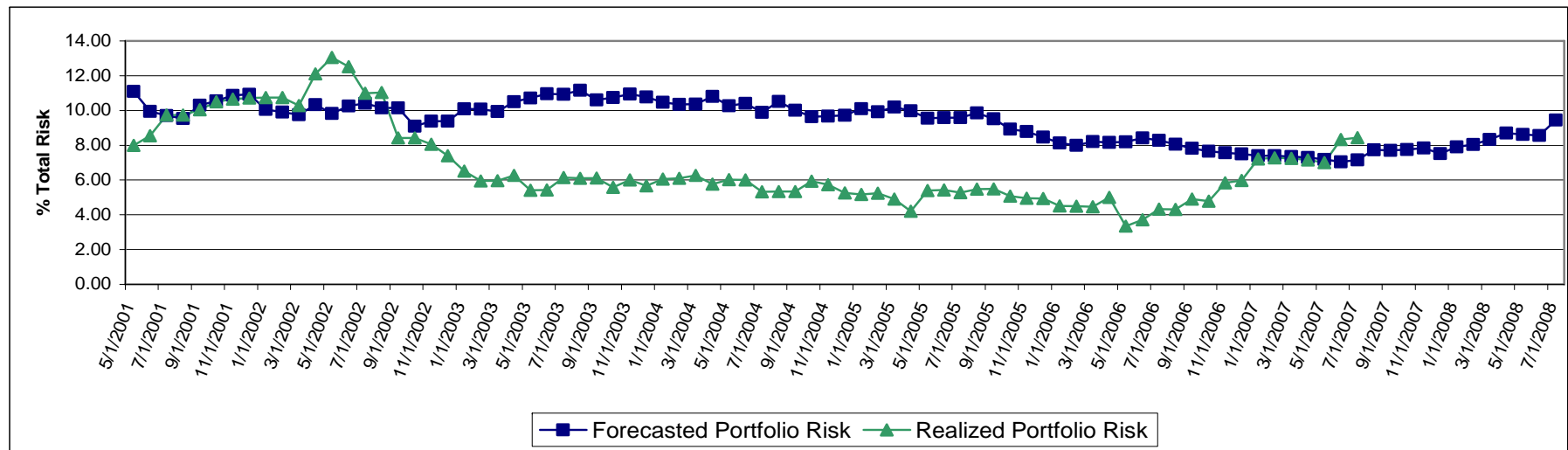
<sup>2</sup> Approximately \$3.6 Billion notional in Equity Futures were purchased to equitize cash.

Private Market Commitment as of August 31, 2008							
AIM				Real Estate			
Funded	\$(in Billions)	% Allocation	Target Range	Funded	\$(in Billions)	% Allocation	Target Range
Fair Market Value (FMV)	\$25.32	10.85%	7-13%	Fair Market Value (FMV)	\$23.59	10.11%	7-13%
Unfunded Commitment	<u>\$26.20</u>	<u>11.23%</u>		Unfunded Commitment (as of 7/31/08)	<u>\$14.26</u>	<u>6.11%</u>	
Fair Market Value plus Unfunded Commitment	\$51.52	22.08%		Fair Market Value plus Unfunded Commitment	\$37.85	16.22%	
Infrastructure				Forestland			
Funded	\$(in Billions)	% Allocation	Target Range	Funded	\$(in Billions)	% Allocation	Target Range
Fair Market Value (FMV)	\$1.1	0.05%	0-0.6%	Fair Market Value (FMV)	\$1.56	0.67%	0-0.5%
Unfunded Commitment (as of 7/31/08)	<u>\$29</u>	<u>0.12%</u>		Unfunded Commitment (as of 7/31/08)	<u>\$18</u>	<u>0.08%</u>	
Fair Market Value plus Unfunded Commitment	\$39	0.17%		Fair Market Value plus Unfunded Commitment	\$1.73	0.74%	

## CalPERS Forecast Total Risk (1 Standard Deviation) - One Year Horizon July 31, 2008

<u>Asset Class</u>	<u>Policy Risk Benchmark</u>	<u>Portfolio Risk</u>	<u>Benchmark Risk</u>	<u>Asset/Liability Assumptions</u>
US Equity	PERS2500	13.8%	14.7%	15.5%
International Equity	FTSE All-World xUS 25% hedged	14.2%	14.7%	17.5%
Global Fixed	Global Fixed Income	4.7%	5.0%	6.5%
Real Estate	NCREIF Proxy	17.1%	12.8%	17.0%
Alternative Investment	AIM Benchmark Proxy	23.2%	29.3%	25.0%
Inflation Linked	CPI	9.9%	6.8%	14.0%
Cash	US Dollar	0.5%	0.0%	1.5%
<b>TOTAL FUND</b>	<b>Total Fund Blended Benchmark</b>	<b>9.5%</b>	<b>8.8%</b>	<b>11.4%</b>

### Total Fund Risk History of 1 Year Forecast Total Risk



## Total Fund Policy Tracking Error Report

<b>July 31, 2008</b>	<b>Actual (%) Allocation</b>	<b>Target (%) Allocation</b>	<b>% Difference</b>	<b>Contribution TE</b>
Domestic Equity	29.2	31.4	-2.2	-1.860
International Equity	23.6	24.6	-1.0	-1.490
AIM	10.6	9.5	1.1	2.010
Global Fixed Income	24.0	22.5	1.5	1.450
Inflation Linked	1.8	2.0	-0.2	0.097
Real Estate	10.6	10.0	0.6	0.308
Cash	0.2	0.0	0.2	0.009
	100	100	0	

**Forecasted Allocation Risk**

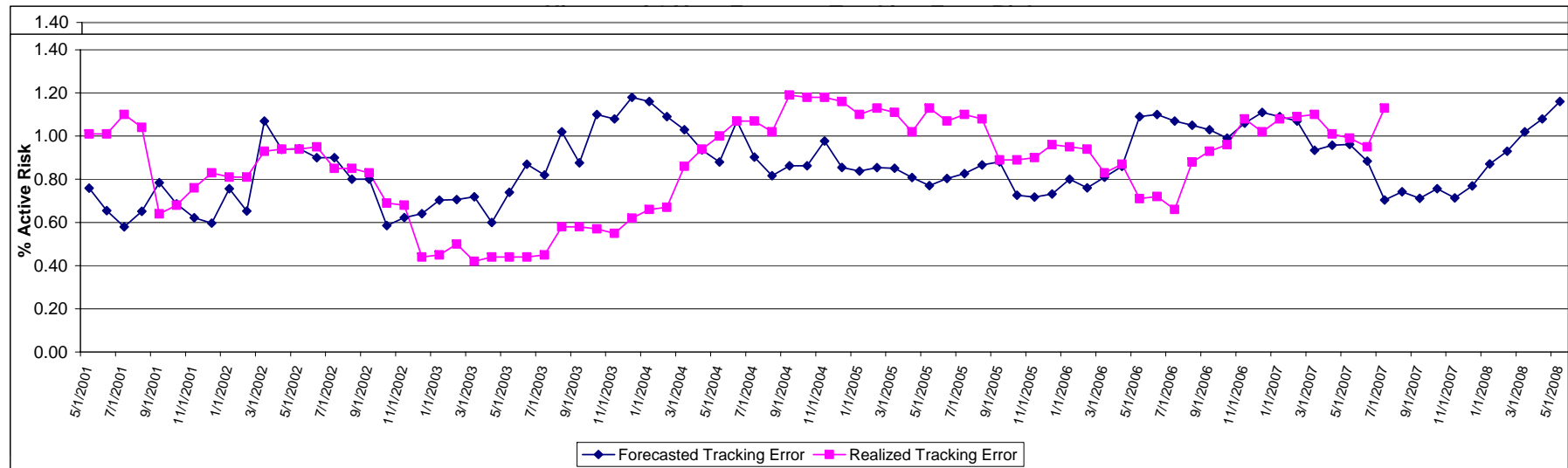
<b>Total Risk</b>	<b>Policy Risk</b>		<b>Tracking Error</b>
8.57	8.83		<b>0.52</b>

## Risk

### CalPERS Total Fund Tracking Error July 31, 2008

Asset Allocation				Security/Sector Selection		Total Fund Tracking Error	
Asset Class	Actual Allocation (%)	Target Allocation (%)	Difference (%)	3 yr Realized Tracking Error (%)	Risk Forecast Tracking Error (%)	Risk Budget Tracking Error (%)	Risk Forecast Tracking Error (%)
Global Equity	52.8	56.0	-3.2	0.62	0.00		
Global Fixed Income	24.0	22.5	1.5	0.77	10.70		
Real Estate	10.6	10.0	0.6	6.44	1.01		
AIM	10.6	9.5	1.1	8.51	0.00		
Inflation Linked	1.8	2.0	-0.2	-	-		
Cash	0.2	0.0	0.2	-	-		
Active Asset Allocation Tracking Error		Risk Budget 0.75	Risk Forecast 0.00				
Total Fund Tracking Error						1.5	0

### Total Fund Tracking Error Risk



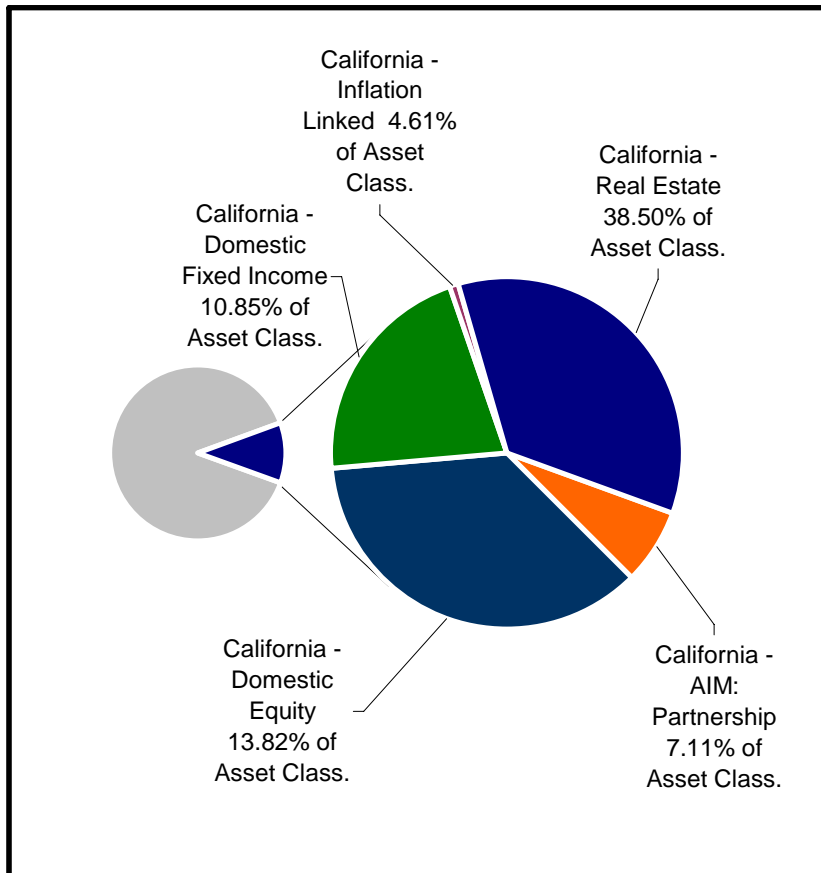


## CalPERS Investments in the State of California – August 31, 2008

The State of California offers CalPERS a number of attractive investment opportunities. The following charts summarize the investments by asset class as of the date of this report. A detailed report on California investments is available in the supplemental reporting document.

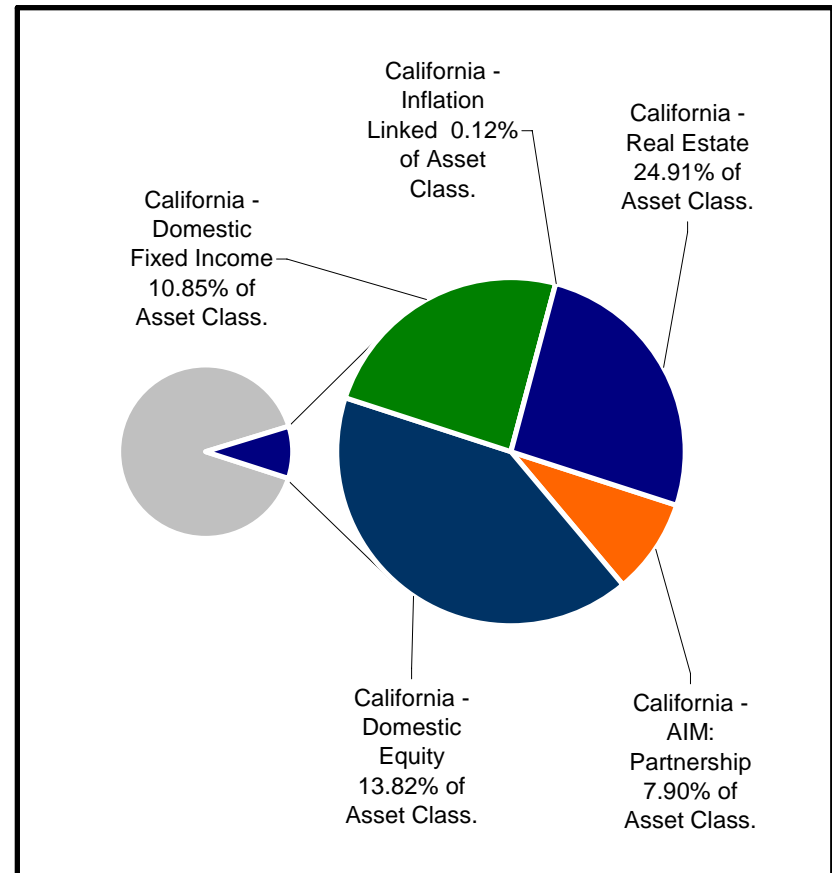
### California Investments plus Additional Commitments

Current California Commitments at 8/31/2008 Total Fund %: 11.12%



### California Investments

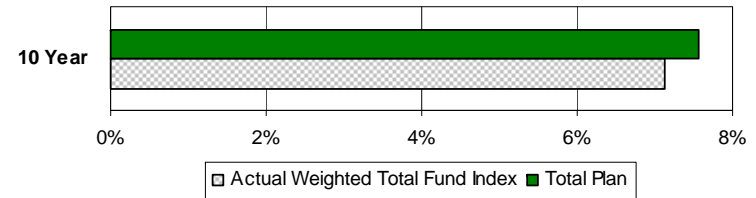
Current California Investments at 8/31/2008 Total Fund %: 9.75%



## Performance Summary – August 31, 2008

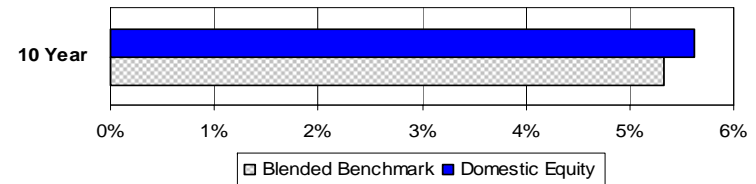
### Total Plan:

Net Total Fund returns have outperformed the Actual Weighted Total Fund Index during the, three-, five-, and ten-year time periods. It has underperformed during the one month, quarter, fiscal year-to-date, and one-year periods. Ten-year net returns were 7.56% versus 7.13% for the actual weighted index.



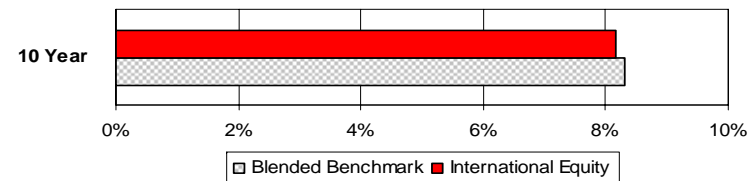
### Domestic Equity:

Net Domestic Equity returns have underperformed in all time periods except the ten-year period. Ten-year net returns were 5.63% versus 5.33% for the blended benchmark.



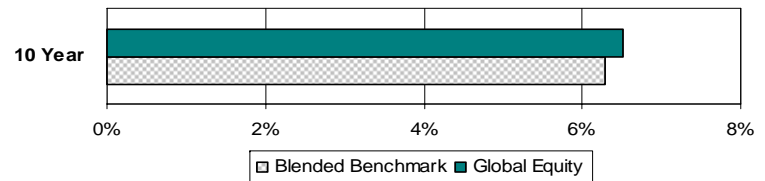
### International Equity:

Net International Equity returns have outperformed the Blended Index in the one month, quarter, fiscal year-to-date time periods. It has underperformed in the one-, three-, five-, and ten-year periods. Ten-year net returns were 8.16% versus 8.31% for the blended benchmark.



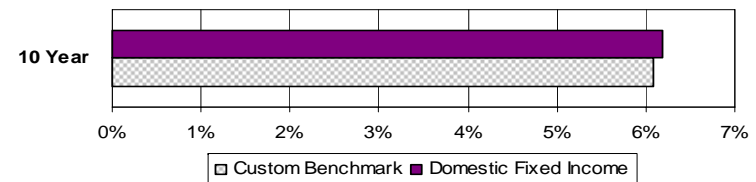
### Global Equity:

Net Total Global Equity underperformed its benchmark in all time periods except the ten-year period. Ten-year net returns were 6.51% versus the 6.29% blended benchmark return.



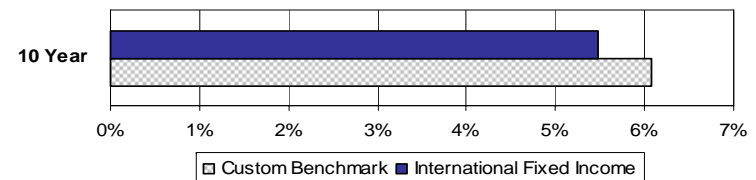
### Domestic Fixed Income:

Net Domestic Fixed Income returns have exceeded the benchmark in the five-, and ten-year periods, but have underperformed in the one month, quarter, fiscal year-to-date, one-, and three-year time periods. Ten-year net returns were 6.18% versus 6.08% for the benchmark.



### International Fixed Income:

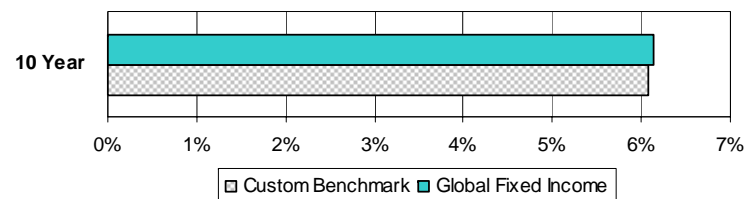
Net International Fixed Income returns have underperformed the benchmark in all time periods except the one-year period. Ten-year net returns were 5.47% versus 6.07% for the benchmark.



## Performance Summary – August 31, 2008

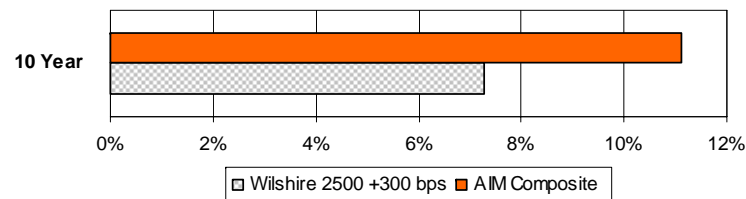
### Global Fixed Income:

Net Global Fixed Income returns have exceeded the benchmark in the five- and ten-year periods, but have underperformed in the one month, quarter, fiscal year-to-date, one-, and three-year periods. Ten-year net returns were 6.13% versus 6.07% for the benchmark.



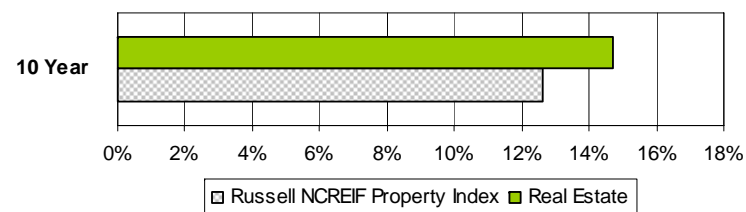
### AIM Composite:

Net returns for the AIM Composite portfolio have exceeded the custom blended benchmark in the three-, five-, and ten-year periods, but have underperformed in the one month, quarter, fiscal year-to-date and one-year periods. Ten-year net returns for the AIM Composite were 11.12% exceeding the ten-year custom blended benchmark return of 7.27%.



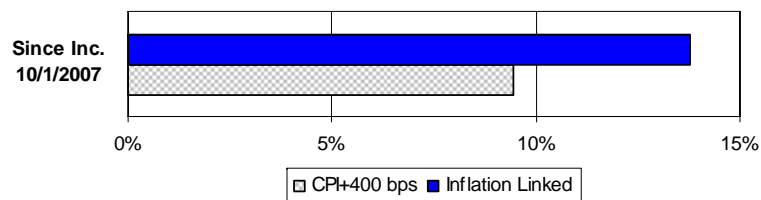
### Real Estate:

Net returns for the Total Real Estate Portfolio have underperformed during the one month, quarter, fiscal year-to-date, and one-year time periods. It has outperformed the index in the three-, five-, and ten-year periods. Ten-year net returns were 14.70% versus 12.63% for the benchmark.



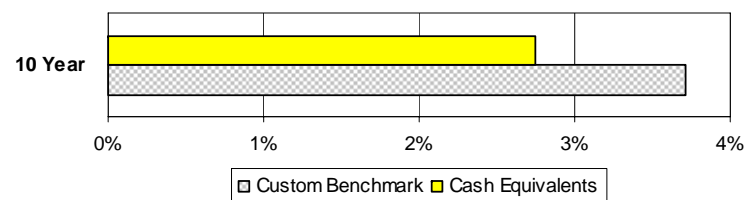
### Inflation Linked:

Net returns for the Inflation Linked portfolio have underperformed the benchmark in the one month, quarter and fiscal year-to-date time periods. It has outperformed in the since inception time period. Since inception net returns were 13.77% versus 9.45% for the benchmark.



### Cash Equivalents:

Net returns for the Cash Equivalents portfolio have underperformed the benchmark in the all time periods. Ten-year net returns were 2.75% versus 3.71% for the custom benchmark.



# CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Periods Ending August 31, 2008

## CIO SUMMARY REPORT - GROSS

	% of Plan	MKT VAL \$(000's)	1 MO	QTR	FYTD	1 YR	3 YRS	5 YRS	10 YRS
<b>TOTAL DOMESTIC EQUITY</b>	29.1	67,890,528	1.03	-7.96	-0.21	-10.59	3.84	7.39	5.67
<i>WILSHIRE 2500 EX TOBACCO (BLENDED)</i>			1.53	-7.63	0.58	-9.81	4.20	7.60	5.33
<b>TOTAL INTL EQUITY</b>	21.2	49,451,726	-4.32	-14.93	-7.56	-12.59	9.96	15.71	8.22
<i>CALPERS FTSE ALL-WORLD EX US</i>			-4.75	-15.78	-7.99	-12.21	10.45	15.84	8.31
<b>TOTAL GLOBAL EQUITY</b>	50.3	117,342,363	-1.26	-11.03	-3.44	-11.77	5.83	10.15	6.55
<i>TOTAL GLOBAL EQ EX AIM BENCHMARK</i>			-0.98	-10.74	-2.70	-10.86	6.19	10.24	6.29
<b>TOTAL DOMESTIC FIXED INCOME</b>	21.7	50,525,245	0.61	-0.81	-0.61	3.30	3.68	5.62	6.19
<i>CALPERS CUSTOM LEH LPF (DAILY)</i>			1.28	1.12	0.97	6.24	3.81	5.42	6.08
<b>TOTAL INTL FIXED INCOME</b>	2.1	4,789,426	-2.87	-2.41	-2.63	9.90	5.07	7.23	5.54
<i>CALPERS WORLD GOVT X US</i>			-2.80	-2.23	-2.48	9.45	5.30	7.19	6.07
<b>TOTAL GLOBAL FIXED INCOME</b>	23.7	55,337,994	0.30	-0.96	-0.79	4.09	3.85	5.89	6.15
<i>CALPERS TOTAL GBL FIXED INCOME POLICY</i>			0.96	0.85	0.70	6.61	3.99	5.64	6.07
<b>TOTAL AIM COMPOSITE</b>	10.8	25,317,644	0.05	-2.14	-1.61	11.63	19.18	19.40	11.13
<i>CUSTOM YOUNG FUND</i>			0.88	2.67	1.77	13.68	16.52	15.89	7.27
<i>WILSHIRE 2500 PLUS 300 BPS</i>			1.80	-6.83	1.14	-6.89	7.83	11.86	10.43
<b>TOTAL REAL ESTATE</b>	10.1	23,574,040	-0.22	0.01	-0.18	8.41	21.51	23.17	17.33
<i>NCREIF PROPERTY 1 QTR LAG (DAILY)</i>			0.00	1.60	0.00	13.58	16.75	15.07	12.63
<b>TOTAL INFLATION LINKED</b>	1.9	4,340,604	-2.80	-2.01	-6.98				
<i>CPI+400 BPS 1 MONTH LAGGED</i>			0.84	3.32	2.15				
<b>TOTAL CASH EQUIVALENTS</b>	1.6	3,834,666	-0.65	-9.13	-1.46	-6.53	0.60	1.10	2.75
<i>PERS CUSTOM STIF NET OF FEES</i>			0.21	0.63	0.42	3.68	4.55	3.41	3.71
<b>TOTAL FUND</b>	100.0	233,371,693	-0.46	-6.42	-2.10	-3.97	7.47	10.45	7.75
<i>CALPERS POLICY INDEX</i>			-0.22	-5.58	-1.27	-3.01	7.05	9.76	7.06
<i>ACTUAL WEIGHTED TOTAL FUND INDEX</i>			-0.28	-5.61	-1.33	-3.70	6.91	9.73	7.13

Equity (SH4KA1, SHAKA1, SWZLA1); Fixed Income (SJDKA1, SJDCA1, SJEKA1)

AIM (SJA1M); Real Estate 1 QTR Lagged (SJRKA1)

Inflation Linked (SX2CA1); Cash Equivalents (SJVKE1); Total Fund (SJ1CA1)

# CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Periods Ending August 31, 2008

## CIO SUMMARY REPORT - NET

	% of Plan	MKT VAL \$(000's)	1 MO	QTR	FYTD	1 YR	3 YRS	5 YRS	10 YRS
<b>TOTAL DOMESTIC EQUITY</b>	29.1	67,890,528	1.03	-7.98	-0.23	-10.65	3.78	7.34	5.63
<i>WILSHIRE 2500 EX TOBACCO (BLENDED)</i>			1.53	-7.63	0.58	-9.81	4.20	7.60	5.33
<b>TOTAL INTL EQUITY</b>	21.2	49,451,726	-4.33	-14.95	-7.58	-12.64	9.89	15.64	8.16
<i>CALPERS FTSE ALL-WORLD EX US</i>			-4.75	-15.78	-7.99	-12.21	10.45	15.84	8.31
<b>TOTAL GLOBAL EQUITY</b>	50.3	117,342,363	-1.26	-11.04	-3.46	-11.82	5.77	10.09	6.51
<i>TOTAL GLOBAL EQ EX AIM BENCHMARK</i>			-0.98	-10.74	-2.70	-10.86	6.19	10.24	6.29
<b>TOTAL DOMESTIC FIXED INCOME</b>	21.7	50,525,245	0.61	-0.81	-0.61	3.30	3.67	5.61	6.18
<i>CALPERS CUSTOM LEH LPF (DAILY)</i>			1.28	1.12	0.97	6.24	3.81	5.42	6.08
<b>TOTAL INTL FIXED INCOME</b>	2.1	4,789,426	-2.88	-2.43	-2.64	9.83	5.01	7.16	5.47
<i>CALPERS WORLD GOVT X US</i>			-2.80	-2.23	-2.48	9.45	5.30	7.19	6.07
<b>TOTAL GLOBAL FIXED INCOME</b>	23.7	55,337,994	0.30	-0.96	-0.79	4.09	3.84	5.87	6.13
<i>CALPERS TOTAL GBL FIXED INCOME POLICY</i>			0.96	0.85	0.70	6.61	3.99	5.64	6.07
<b>TOTAL AIM COMPOSITE</b>	10.8	25,317,644	0.05	-2.14	-1.61	11.63	19.17	19.38	11.12
<i>CUSTOM YOUNG FUND</i>			0.88	2.67	1.77	13.68	16.52	15.89	7.27
<i>WILSHIRE 2500 PLUS 300 BPS (DAILY)</i>			1.80	-6.83	1.14	-6.89	7.83	11.86	10.43
<b>TOTAL REAL ESTATE</b>	10.1	23,574,040	-0.22	-0.35	-0.18	6.15	17.53	18.97	14.70
<i>NCREIF PROPERTY 1 QTR LAG (DAILY)</i>			0.00	1.60	0.00	13.58	16.75	15.07	12.63
<b>TOTAL INFLATION LINKED</b>	1.9	4,340,604	-2.80	-2.05	-6.98				
<i>CPI+400 BPS 1 MONTH LAGGED</i>			0.84	3.32	2.15				
<b>TOTAL CASH EQUIVALENTS</b>	1.6	3,834,666	-0.65	-9.13	-1.46	-6.53	0.60	1.10	2.75
<i>PERS CUSTOM STIF NET OF FEES</i>			0.21	0.63	0.42	3.68	4.55	3.41	3.71
<b>TOTAL FUND</b>	100.0	233,371,693	-0.46	-6.46	-2.11	-4.17	7.19	10.16	7.56
<i>CALPERS POLICY INDEX</i>			-0.22	-5.58	-1.27	-3.01	7.05	9.76	7.06
<i>ACTUAL WEIGHTED TOTAL FUND INDEX</i>			-0.28	-5.61	-1.33	-3.70	6.91	9.73	7.13

Equity (SH4KA1, SHAKA1, SWZLA1); Fixed Income (SJDKA1, SJDCA1, SJEKA1)

AIM (SJA1M); Real Estate 1 QTR Lagged (SJRKA1)

Inflation Linked (SX2CA1); Cash Equivalents (SJVKE1); Total Fund (SJ1CA1)

## Operations/Activity Reports

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### Closed Session Transactions

- There was one (1) closed session transaction reported to the Board in Open Session per the requirements of California Government Code Section 20191.5 and the current CalPERS Board of Administration Statement of Policy & Procedures for Closed Sessions.

### Activity Reports

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- Staff prepares activity reports for the AIM, Real Estate, Risk Managed Absolute Return Strategies, Corporate Governance and Inflation Linked Asset Class Programs. Detailed reports and investment summaries for these programs are included in the supplemental reporting document.

#### AIM Activity Report

Activity	Month	2005	2006	2007	2008 YTD	Since Inception
Investment Proposals Entered	33	316	300	443	263	7,221
Declined/Referred/Failed to Materialize	33	429	268	389	253	5,901
Deals in Screening	29	319	300	443	263	4,254
Due Diligence Reviews	10	59	61	76	25	763

#### Real Estate Investments Activity Report

Activity	Month	2005	2006	2007	2008 YTD	Since Inception *
Investment Proposals Entered	7	N/A	N/A	N/A	121	121
Declined/Referred/Failed to Materialize	7	N/A	N/A	N/A	107	107
Deals in Screening	10	N/A	N/A	N/A	12	12
Due Diligence Reviews	1	N/A	N/A	N/A	3	3
* As of January 2, 2008						

#### Risk Managed Absolute Return Strategies Program Activity Report

Activity	Month	2005	2006	2007	2008 YTD	Since Inception
Investment Proposals Entered	9	59	69	90	78	794
Declined/Referred/Failed to Materialize	0	7	1	0	0	243
Deals in Screening	9	58	68	90	78	539
Due Diligence Reviews	9	58	68	90	78	539
Allocations Approved by RMARS Board	5	18	52	66	29	204
New ARD Funds Approved by RMARS Board	1	7	9	8	3	44
Funded Investments (\$ Millions)	\$180	\$783	\$1,809	\$2,499	\$1,029	\$6,849

#### Corporate Governance Activity Report

Activity	Month	2005	2006	2007	2008 YTD*	Since Inception *
Investment Proposals Entered	0	N/A	N/A	N/A	6	6
Declined/Referred/Failed to Materialize	0	N/A	N/A	N/A	5	5
Deals in Screening	N/A	N/A	N/A	N/A	N/A	N/A
Due Diligence Reviews	8	N/A	N/A	N/A	11	11

## Operations/Activity Reports

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* As of April 1, 2008						
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### Activity Reports (cont.)

#### Inflation Linked Asset Class Activity Report

Activity	Month	2005	2006	2007	2008 YTD	Since Inception
Investment Proposals Entered	2	N/A	N/A	12	51	63
Declined/Referred/Failed to Materialize	0	N/A	N/A	N/A	8	8
Deals in Screening	0	N/A	N/A	N/A	7	7
Due Diligence Reviews	6	N/A	N/A	N/A	7	7

## Quarterly and Annual Reports

According to policy requirements, the following is summary information extracted from the quarterly and annual reports prepared for Investment Committee consideration. Executive Summaries and Full Reports are available in the supplemental reporting document.

### AIM Program Quarterly Report:

#### Portfolio Summary

- As of June 30, 2008, the AIM Program had a total exposure of \$50.8 billion. Total exposure is the current reported value of investments plus the remaining amount of unfunded commitments.
- Since inception, the AIM Program has made contributions of \$37.2 billion, received distributions of \$25.8 billion and has a remaining reported value of \$24.0 billion. Of the \$25.8 billion in distributions, \$13.9 billion represents realized gains, income and dividends.

**SUMMARY OF AIM PORTFOLIO  
SINCE INCEPTION (MARCH 1990) THROUGH JUNE 30, 2008  
(US\$ IN MILLIONS)**

	Capital Contributed <sup>(3)</sup>	Distributions		Reported Value <sup>(5)</sup>	Investment Multiple
		Return of Capital	Realized Gain <sup>(4)</sup>		
<b>Total Active Commitments<sup>(1)</sup></b>	<b>\$31,448.6</b>	<b>\$7,710.5</b>	<b>\$10,574.1</b>	<b>\$23,985.5</b>	<b>1.3x</b>
<b>Total Exited Commitments<sup>(2)</sup></b>	<b>\$5,777.8</b>	<b>\$4,161.4</b>	<b>\$3,370.7</b>	<b>--</b>	<b>1.3x</b>

<sup>(1)</sup> An active commitment refers to an investment that has not reached the end of its legal term.

<sup>(2)</sup> An exited commitment is defined as a commitment that has ended in accordance with the terms of the partnership agreement.

<sup>(3)</sup> Includes fees in excess of committed capital.

<sup>(4)</sup> Realized gains include interest, dividends, gains and losses distributed by the general partners in addition to interest paid by CalPERS for participation in subsequent closings of certain investments.

<sup>(5)</sup> Based on values reported by the general partners as of June 30, 2008.

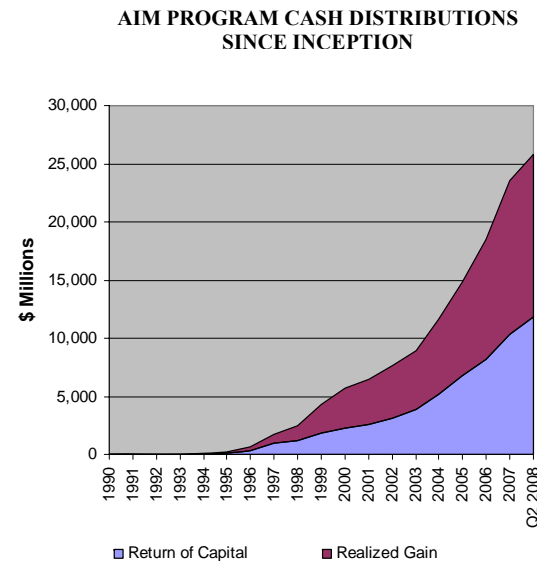
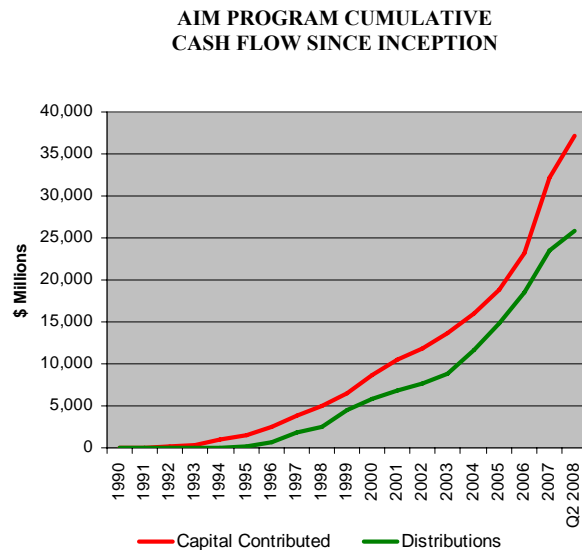


## Quarterly and Annual Reports

### AIM Program Quarterly Report (cont.):

#### Performance

- Since inception to June 30, 2008, the AIM Program generated a net IRR of 13.0%. At June 30, 2008, the public market ten-year rolling average return for the CalPERS' Custom Wilshire 2500 Index plus 300 basis points was 8.9%.
- As of June 30, 2008, the weighted average age of all of the current investments in the AIM portfolio was 3.1 years. Consequently, a large portion of the portfolio is in the early stage of its investment life, when payment of fees has not been offset by young investments that are held at cost. This is known as the J-Curve effect.
- To address the young age of the partnership portfolio, CalPERS adopted a short-term benchmark, the Venture Economics Custom Young Fund Universe. The benchmark measures performance of the AIM partnerships in the first five years of life against a similarly aged universe of Venture Economics data. As of March 31, 2008, the AIM young fund net internal rate of return ("IRR") was 15.5% which exceeded the estimate of the March 31, 2008 Custom Young Fund Universe median return of 4.4% by 1,100 basis points. The AIM Program is displaying solid returns for a young portfolio.



## Quarterly and Annual Reports

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### AIM Program Quarterly Report (cont.):

#### Portfolio Activity

- 16 new commitments were authorized during the second quarter of 2008 for a total of \$4.5 billion.
- During the second quarter of 2008 the AIM Program received 88 proposals for new investment opportunities.
- During the first half of 2008, the AIM Program contributed \$5.1 billion to and received distributions of \$2.3 billion from the underlying portfolio. Of the \$2.3 billion in distributions, \$0.8 billion represents income and realized gains.

## **Quarterly and Annual Reports**

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### **Emerging Markets/Investments in Underserved Areas Annual Report:**

Under the CalPERS' Economically Targeted Investments Program Policy, Staff is directed to report annually to the Investment Committee the Fund's investment in underserved areas of California. All told, as of June 30, 2008, CalPERS' investments and commitments to underserved areas of California totaled \$4.365 billion, equal to approximately 1.82% of CalPERS' total assets, which is just under our stated goal of 2%. CalPERS continues to work with its partners to find investment opportunities that meet the goals of this policy and provide competitive risk-adjusted rates of return.

#### **Real Estate**

Our Real Estate Program investments in underserved areas of California through the CURE Program, Senior Housing, AFL-CIO Building Investment Trust, Opportunity Funds, REIT Urban, and Single Family Housing. This asset class has total commitments and investments of approximately \$2,506 million to underserved areas of California.

#### **Alternative Investments**

The AIM Program participates in underserved areas through the California Initiative Program which has also committed \$1,040 million to 11 partnerships. In addition, the AIM unit participates in underserved areas through other fund commitments. This asset class has total commitments and investments of approximately \$1,597 million to underserved areas of California.

#### **Fixed Income**

Fixed Income invests in underserved areas of California through the Community Redevelopment Act (CRA) and the California Community Mortgage Fund. This asset class has total commitments and investments of approximately \$261.5 million to underserved areas of California.

## Investment Transactions

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Investment Transactions are reported to the Investment Committee for review under the requirements of California Government Code Section 20191. Information is provided in summary format in this consolidated document. Full reporting is available in the supplemental reporting document.

### **Portfolio Summary and Transactions Report:**

- Purchases – Internal Management (Page 22)
- Sales – Internal Management (Page 23)
- Currency Hedge Portfolio Summary (Page 24)
- Currency Hedge Portfolio Transactions (Page 24)

### **Investment Transaction Information:** (full reporting is available in the supplemental reporting document)

- Domestic Fixed Income Transactions
- International Fixed Income Transactions
- Domestic Equity Transactions
- International Equity Transactions
- AIM Program Transactions
  - Summary Listing of Capital Calls and Aggregate Distributions
- AIM Program Items Completed Under Delegation of Authority
  - Investment Summaries
    - Carlyle Asia Growth Partners IV LP, \$150 million commitment
    - Clessidra Capital Partners II LP, €150 million (\$234 million) commitment
    - First Reserve Fund XII LP, \$300 million commitment
    - Welsh, Carson, Anderson & Stowe XI LP, \$125 million commitment
- Real Estate Equity Transactions
  - Dispositions Summaries
    - No Items to Report
  - Acquisitions Summaries
    - Miller Capital Advisory, Inc. – La Palmera (formerly Padre Staples Mall), CalPERS equity share \$34,419,357.00
    - BlackRock Realty – 8<sup>th</sup> & Hope, CalPERS equity share \$15,587,599.00
    - Buchanan Advisors – Pegasus Apartments, CalPERS equity share \$15,724,936.00
    - BlackRock Realty – Chancery Square, CalPERS equity share \$30,404,120.00
- Real Estate Opportunistic Investments
  - Investment Summaries
    - Starwood Capital Hospitality Fund, \$400 million commitment
- Real Estate Program Items Completed Under Delegation of Authority
  - Investment Summaries
    - No Items to Report
- Risk Managed Absolute Return Strategies Program Transactions
  - Summary Listing of Investments and Redemptions
- Risk Managed Absolute Return Strategies Program Items Completed Under Delegation of Authority
  - Investment Summaries
    - O'Connor Global Fundamental Equity Market Neutral Fund, \$45 million commitment

## Investment Transactions

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### **Investment Transaction Information (continued):** [\(full reporting is available in the supplemental reporting document\)](#)

- Inflation Linked Assets Transactions
  - Summary Listing of Investments and Redemptions
- Inflation Linked Assets Items Completed Under Delegation of Authority
  - Investment Summaries
    - No Items to Report
- Corporate Governance Program Items Completed Under Delegation of Authority
  - Investment Summaries
    - No Items to Report
- Internally Managed Derivative Transactions Summary
  - Investment Summaries
    - Futures purchases: \$3,934.9 million notional
    - Futures sales: \$2,071.9 million notional

## Portfolio Summary and Transactions

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### INVESTMENT TRANSACTIONS SUMMARY

(\$ Millions)

July 2008

#### PURCHASES

	<u>COST</u>	<u>%OF PURCHASES</u>
<b><u>EQUITIES:</u></b>		
Domestic	\$4,091.5	42.57%
International	<u>\$3,047.2</u>	<u>31.71%</u>
Total	\$7,138.7	74.28%
<b><u>FIXED INCOME:</u></b>		
Domestic	\$3,161.2	32.89%
International	<u>\$1,181.0</u>	<u>12.29%</u>
Total	\$4,342.2	45.18%
<b><u>ALTERNATIVE INVESTMENTS:</u></b>		
Partnership Component	\$734.9	7.65%
<b><u>REAL ESTATE:</u></b>		
Real Estate Equity	\$97.1	1.01%
<b><u>INFLATION LINKED ASSETS:</u></b>		
Inflation Linked	\$345.4	3.59%
<b>TOTAL PURCHASES:</b>	<u><u>\$9,611.1</u></u>	<u><u>100%</u></u>

## Portfolio Summary and Transactions

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### INVESTMENT TRANSACTIONS SUMMARY

(\$ Millions)

July 2008

#### SALES

	<u>COST</u>	<u>PROCEEDS</u>	<u>GAIN/ LOSS</u>
<b><u>EQUITIES:</u></b>			
Domestic	\$3,818.0	\$3,824.2	\$6.2
International	<u>\$3,805.4</u>	<u>\$3,663.4</u>	<u>(\$142.0)</u>
Total	\$7,623.4	\$7,487.6	(135.8)
<b><u>FIXED INCOME:</u></b>			
Domestic	\$4,630.0	\$4,590.5	(\$39.5)
International	<u>\$1,248.8</u>	<u>\$1,263.4</u>	<u>\$14.6</u>
Total	\$5,878.8	\$5,853.9	(\$24.9)
<b><u>ALTERNATIVE INVESTMENTS:</u></b>			
Partnership Component	\$66.3	\$66.3	\$0.0
<b><u>REAL ESTATE:</u></b>			
Real Estate Equity	\$0.0	\$0.0	\$0.0
<b><u>INFLATION LINKED ASSETS:</u></b>			
Inflation Linked	\$256.9	\$256.9	\$0.0
<b>TOTAL SALES:</b>	<u><u>\$10,020.0</u></u>	<u><u>\$10,001.3</u></u>	<u><u>(\$18.7)</u></u>

## Portfolio Summary and Transactions

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### CURRENCY HEDGE PORTFOLIO SUMMARY

(\$ Millions)

July 2008

<u>PENDING FX CONTRACTS</u>	<u>COST</u>	<u>MARKET VALUE</u>
Total FX Purchased	\$11,938.4	\$11,875.3
Total FX Sold	\$16,907.3	\$16,871.7

### CURRENCY OPTIONS

Currency Puts	(\$15.6)	(\$15.6)
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"For FX purchased, a market value higher than book value means the contracts have an unrealized gain as of the valuation date. For FX sold, a market value lower than book value means the contracts have an unrealized gain as of the valuation date."

### CURRENCY HEDGE TRANSACTION SUMMARY

(\$ Millions)

July 2008

<u>PURCHASES</u>	<u>COST</u>
Pending FX Contracts	\$5,121.1
<u>SALES</u>	<u>PROCEEDS</u>
Pending FX Contracts	\$4,484.4



## Affiliate Funds Reports

State Street Bank has compiled the following Affiliate Funds Performance Reports for the periods ending August 31, 2008. [\(full reporting is available in the supplemental reporting document\)](#)

### CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Periods Ending August 31, 2008

Affiliate Funds Monthly Performance Summary - Plan Comparison

RATES OF RETURN - Gross

	MKT VAL \$(000)	Month	QTR	FYTD	CYTD	1 YR	3 YRS	5 YRS	10 YRS
<b>ANNUITANTS HEALTH CARE COVERAGE</b>	682,295	-0.34	-7.39	-1.29	-7.00	-5.14			
<i>ANNUITANTS POLICY BENCHMARK(MONTHLY)</i>		-0.16	-7.74	-1.31	-8.45	-7.29			
<b>CALPERS HEALTH CARE BOND FUND</b>	374,989	0.84	-0.33	0.14	0.51	4.43			
<i>LB AGGREGATE (DAILY)</i>		0.95	0.79	0.87	2.00	5.86			
<b>JUDGES' RETIREMENT FUND</b>	2,698	0.21	0.63	0.42	1.98	3.69	4.54	3.40	3.74
<i>91 DAY TREASURY BILL ( DAILY)</i>		0.16	0.51	0.33	1.53	2.99	4.20	3.22	3.57
<b>JUDGES II TOTAL FUND</b>	319,006	0.08	-6.72	-1.28	-7.06	-5.59	4.12	2.94	3.52
<i>CAL JUDGES II POLICY INDEX (DAILY)</i>		0.38	-5.96	-0.44	-6.42	-5.03	5.32	7.81	5.53
<b>LEGISLATOR'S RETIREMENT TOTAL FUND</b>	131,426	0.44	-4.32	-0.98	-4.90	-1.76	3.80	2.75	4.03
<i>CAL LRS POLICY INDEX (DAILY)</i>		0.75	-3.20	-0.08	-3.73	-0.51	4.53	6.57	6.10
<b>LONG TERM CARE TOTAL FUND</b>	2,310,482	-0.05	-6.16	-1.56	-6.55	-4.34	3.97	3.00	3.67
<i>CAL LTC POLICY INDEX (DAILY)</i>		0.23	-5.37	-0.79	-5.72	-3.56	5.14	7.58	5.39
<b>CONTINGENCY RESERVE FUND</b>	6,020	0.21	0.63	0.42	1.98	3.69	4.55	3.41	3.75
<i>91 DAY TREASURY BILL ( DAILY)</i>		0.16	0.51	0.33	1.53	2.99	4.20	3.22	3.57
<b>SUPPLEMENTAL CONTRIBUTION FUND</b>	18,514	0.14	-7.25	-1.34	-9.54	-7.09	3.76	2.92	
<i>SUPPLEMENTAL POLICY BENCHMARK</i>		0.29	-6.87	-0.96	-8.83	-6.81	4.85	7.70	

## Affiliate Funds Reports

### CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Periods Ending August 31, 2008

Affiliate Funds Monthly Performance Summary - Plan Comparison

RATES OF RETURN - Net

	MKT VAL \$(000)	Month	QTR	FYTD	CYTD	1 YR	3 YRS	5 YRS	10 YRS
<b>ANNUITANTS HEALTH CARE COVERAGE</b>	682,295	-0.34	-7.39	-1.29	-7.00	-5.14			
<i>ANNUITANTS POLICY BENCHMARK(MONTHLY)</i>		-0.16	-7.74	-1.31	-8.45	-7.29			
<b>CALPERS HEALTH CARE BOND FUND</b>	374,989	0.84	-0.33	0.14	0.51	4.43			
<i>LB AGGREGATE (DAILY)</i>		0.95	0.79	0.87	2.00	5.86			
<b>JUDGES' RETIREMENT FUND</b>	2,698	0.21	0.63	0.42	1.98	3.69	4.54	3.40	3.74
<i>91 DAY TREASURY BILL ( DAILY)</i>		0.16	0.51	0.33	1.53	2.99	4.20	3.22	3.57
<b>JUDGES II TOTAL FUND</b>	319,006	0.08	-6.72	-1.28	-7.06	-5.59	4.12	2.94	3.52
<i>CAL JUDGES II POLICY INDEX (DAILY)</i>		0.38	-5.96	-0.44	-6.42	-5.03	5.32	7.81	5.53
<b>LEGISLATOR'S RETIREMENT FUND</b>	131,426	0.44	-4.32	-0.98	-4.90	-1.76	3.80	2.75	4.03
<i>CAL LRS POLICY INDEX (DAILY)</i>		0.75	-3.20	-0.08	-3.73	-0.51	4.53	6.57	6.10
<b>LONG TERM CARE TOTAL FUND</b>	2,310,482	-0.05	-6.16	-1.56	-6.55	-4.34	3.97	3.00	3.67
<i>CAL LTC POLICY INDEX (DAILY)</i>		0.23	-5.37	-0.79	-5.72	-3.56	5.14	7.58	5.39
<b>CONTINGENCY RESERVE FUND</b>	6,020	0.21	0.63	0.42	1.98	3.69	4.55	3.41	3.75
<i>91 DAY TREASURY BILL ( DAILY)</i>		0.16	0.51	0.33	1.53	2.99	4.20	3.22	3.57
<b>SUPPLEMENTAL CONTRIBUTION FUND</b>	18,514	0.10	-7.28	-1.33	-9.73	-7.42	3.62	2.84	
<i>SUPPLEMENTAL POLICY BENCHMARK</i>		0.29	-6.87	-0.96	-8.83	-6.81	4.85	7.70	